UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
100 USDA, Suite 102
Stillwater, Oklahoma 74074-2653

OK Notice FLP-405

For: County Offices

2-FLP

Regions Bank
Tax ID # 63-0371391
Preferred Lender Program Status

Approved by: State Executive Director

Jim Reese

1 Overview

A Background

2-FLP governs the processing and servicing of guaranteed loans. The Preferred Lender Program (PLP) allows lenders to originate and service guaranteed loans as they do their non-guaranteed loans.

B Purpose

The purpose of this notice is to:

- Announce PLP status approval by the Deputy Administrator Farm Loan Programs to Regions Bank.
- Provide guidance and direction to staff to ensure continuous service to the Lender.

C Contact

Direct any questions concerning this notice to Patty Wanger at (405) 742-1052 in the State Office.

D Filing Instructions

This notice should be filed with the FLP series Notices.

Disposal Date	Distribution
April 21, 2008	Farm Loan ProgramTeams, County Offices, DD's, COR's

2 Action

A County Office Action

Attached is a copy of the Regions Bank Credit Management System (CMS). The PLP status is in effect for the 5-year period of April 21, 2003, to April 21, 2008.

PLP lenders will use their own CMS for originating and servicing FLP-guaranteed loans. Any action not addressed in the CMS will then be in accordance with 2-FLP as a CLP lender.

The County Office shall develop and maintain an operational file on each lender. This file will contain the information outlined in 2-FLP Par. 48 B, Operational File.

B Loan Making

Only Regions Bank employees listed in the CMS assigned to the Guaranteed FLP PLP Credit Team can submit guaranteed loan applications. All PLP guaranteed loan applications should be filed with the Farm Loan Manager servicing the county, which has been designated as the centralized PLP application-processing county.

Under Par. 83 B, PLP applications must be approved or rejected and the lender also notified of the decision within 14 calendar days of the complete application.

C Loan Servicing

All PLP guaranteed loans, once closed, shall be sent to the Farm Loan Manager servicing the county where the borrower's principal residence on the farm is located. If the borrower's residence is not located on the farm or the borrower is an entity, the loan will be serviced in the county where the farm or major portion of the farm is located, unless otherwise approved by the State Office.

If not covered under the CMS, Regions Bank must follow the servicing requirements for CLP lenders found in 2-FLP Handbook.

All loan servicing actions on existing guaranteed loans will be based on the current CMS in effect.

D PLP Designated Loan Officers

Following is a complete list of persons designated to be involved with the FSA Guaranteed Loan Program for Regions Bank, as outlined in their CMS:

Eddie Stout, Vice President
Larry Skeets, Vice President

E CMS Interpretation

Contact the FLP Section at the State Office for any assistance and/or guidance in regards to the interpretation of Regions Bank PLP Lender's Agreement/Credit Management System (CMS).

RECEIVED
APR 28 2003
OKLAHOMA STATE FSA OFFICE

APR 21 2003

Mr. Eddie Stout
Vice President, Agricultural Lending
Regions Bank
Post Office Box 1471
Fort Smith, Arkansas 72203

Dear Mr. Stout:

We are pleased to inform you that Regions Bank has been approved as a Preferred Lender for Farm Service Agency (FSA) guaranteed loans. Enclosed are your Preferred Lender Program (PLP) certificate, copy of the signed Lender's Agreement and Credit Management System summary, and PLP stickers.

We anticipate that PLP will greatly improve the availability of agricultural credit. We look forward to working with you and the other officials of Regions Bank to provide needed assistance to the nation's family farmers and ranchers.

Thank you for your interest and participation in FSA's guaranteed loan programs.

Sincerely,

JAMES F. RADINTZ

Carolyn B. Cooksie
Deputy Administrator for
Farm Loan Programs

Enclosures

cc: SED Arkansas
SED Oklahoma

REPRODUCE LOCALLY. Include form number and date on reproductions.

Form Approved - OMB No. 0560-0155

FSA-1980-38
(06-09-99)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

LENDER'S AGREEMENT

See page 6 for Privacy Act and Public Burden Statements.

The purpose of this Agreement is to establish the lender as an approved participant in the guaranteed loan programs of the Farm Service Agency, U.S. Department of Agriculture. This Agreement provides the terms and conditions for originating and servicing such loans, including lines of credit. ***Provide the requested information, read this agreement in its entirety and sign in the space on the last page. Your signature indicates consent with this agreement.***

Part A - Background Information

1. Lender's Name and Mailing Address	2. Tax Identification Number
Regions Bank P.O. Box 1471 Little Rock, Arkansas 72203	0630371391
	3. Telephone Number *(include area code)* (479) 494-1000

4. This agreement establishes the above lender as a:

[X] Preferred Lender (PLP) [ ] Certified Lender (CLP) [ ] Standard Eligible Lender (SEL)

5. The following suboffices of the lender are covered under this agreement:

[ ] All Offices

Fort Smith
P. O. Box 17007
Fort Smith, Arkansas 72917
Contact: Eddie Stout

Jonesboro
P. O. Box 7500
Jonesboro, Arkansas 72403
Contact: Jim G. Tubbs

6. The lender is authorized to submit loan guarantees in the following FSA Offices:

The FSA offices serving any county in Arkansas.

The FSA offices serving the following counties in Oklahoma:

Ottawa, Delaware, Mayes, Cherokee, Adair, Sequoyah, Haskell, Leflore, Latimer, or McCurtain.

Part B - Duties and Responsibilities of FSA *("Agency")*

1. **Payment of Claims** - Agency agrees to make payment on its claims in accordance with the terms of the guarantee and Agency regulations in 7 C.F.R. part 762. The maximum loss payment may not exceed the amount determined in the guarantee, including the percentage of principal and any accrued interest, protective advances, and emergency advances. The guarantee is supported by the full faith and credit of the United States and is incontestable except under the circumstances of fraud or misrepresentation of which the lender has actual knowledge at the execution of the guarantee or which the lender participates in or condones.

2. **Personnel Available for Consultation** - Agency shall make personnel available for consultation on interpretations of Agency regulations and guidelines. The lender may consult with Agency personnel regarding unusual underwriting, loan closing, and loan liquidation questions.

Part C - General Requirements of the Lender

1. **Eligibility to Participate** - The lender must meet the requirement contained in 7 C.F.R. part 762 and be approved by the Agency to be a participant in the Guaranteed Loan Program.

2. **Knowledge of Program Requirements** - The lender is required to obtain and keep itself informed of all program regulations and guidelines, including all amendments and revisions. The lender must establish and maintain adequate and written internal policies for loan origination and servicing to meet these requirements. These policies will be made available to the Agency for review when requested.

3. **Notification** - The lender shall immediately notify the Agency in writing if the lender:

   a. Becomes insolvent;

   b. Has filed for any type of bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;

   c. Has taken any action to cease operations, or to discontinue servicing or liquidating any or all of its portfolio guaranteed by the Government;

   d. Has changed its name, location, address, tax identification number, or corporate structure;

   e. Has been debarred, suspended, or sanctioned in connection with its participation in any Federal guaranteed program; or

   f. Has been debarred, suspended, or sanctioned by any Federal or State licensing or certification authority.

4. **Employee Qualifications** - The lender shall maintain a staff that is well trained and experienced in origination and loan servicing functions, as necessary to ensure the capability of performing all the acts within its authority.

5. **Conflict of Interest** - When a lender applies for a guaranteed loan, the lender will inform the Agency in writing of any relationships which could result in a conflict of interest or the appearance of a conflict of interest. Reportable relationships include:

   a. The lender or its officers, directors, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners having a financial interest in the loan applicant or borrower.

   b. The loan applicant or borrower, a relative of the loan applicant or borrower, anyone residing in the household of the loan applicant or borrower, any officer, director, stockholder or other owner of the loan applicant or borrower holds any stock or other evidence of ownership in the lender.

   c. The loan applicant or borrower, a relative of the loan applicant or borrower, or anyone residing in the household of the loan applicant or borrower is an Agency employee.

   d. The officers, director, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners of the lender having substantial business dealings (other than in the normal course of business) with the loan applicant or borrower.

   e. The lender or its officers, directors, principal stockholders, or other principal owners have substantial business dealings with an Agency employee.

Part D - Underwriting Requirements

1. **Responsibility**

   The lender is responsible for originating, servicing, and collecting all guaranteed loans in accordance with Agency regulations.

2. **Origination Process**

   a. <u>General Eligibility</u>. The lender shall make a preliminary determination whether loan applicants meet the general eligibility requirements in Agency regulations. Agency will make the final determination.

Part D - Underwriting Requirements *(continued)*

b. Delinquency on Federal Debt. The lender shall determine whether the loan applicant is delinquent on any Federal debt. The lender shall use credit reports and any other credit history in making this determination. If the loan applicant is delinquent on or a judgment debtor on any Federal debt, processing of the application may only continue in accordance with Agency regulations.

c. Appraisals of Collateral. The lender shall ensure that the value of any collateral property or property to be purchased is determined by a qualified appraiser, including a certified appraiser when required by law or regulation.

d. Change in Borrower's Condition. Before the Agency issues a loan guarantee, the lender will certify that there has been no adverse change in the borrower's condition, financial or otherwise, since submission of the application for guaranteed loan. For use in this provision alone, the term "borrower" includes any member, joint operator, partner or stockholder.

e. Limitation on Guarantee. Late charges of any kind including default charges and default interest will not be covered by the guarantee.

3. **Loan Closing** - All loans guaranteed by the Agency shall be closed by attorneys, escrow companies, escrow departments of lending institutions, or other persons, or entities skilled and experienced in conducting loan closings. The lender shall:

a. Ensure funds for the particular loan or line of credit will be used only for the purposes authorized in Agency regulations and as contained in the conditional commitment;

b. Ensure that documents, including the mortgage and any security agreements, chattel mortgages or equivalent documents relating to it have been properly signed, are valid and contain terms enforceable by the lender;

c. Ensure that all security with appropriate lien priorities is obtained in accordance with the conditional commitment and Agency regulations;

d. Ensure that all closing documents required to be recorded are recorded accurately, in the appropriate offices, and in a timely and accurate manner;

e. Ensure that security interests are perfected in collateral according to applicable regulatory requirements and procedures;

f. Ensure that all required hazard insurance will be obtained in accordance with Agency regulations or is now in effect;

g. Collect all fees and costs due and payable by the borrower in the course of the loan transaction and disburse payment directly to the parties for services rendered;

h. Ensure that construction, relocation, repairs, or development will be complete in accordance with applicable drawings and specifications;

I. Ensure the borrower has marketable title to security property now owned, and will obtain such title to any additional property to be acquired with loan funds, subject only to the instruments securing the loan to be guaranteed and any other exceptions set forth in Agency regulations;

j. The entire loan will be secured equally with the same security and the same lien priority for both the guaranteed and unguaranteed portions of the loan, under the assurance that the unguaranteed portion of the loan will not be paid first nor given priority over the guaranteed portion of the loan;

k. Submit the required guarantee fee with the guaranteed loan closing report.

4. **Restriction and Disclosure of Lobbying Activities** - If any funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or any employee of a Member of Congress in connection with this commitment providing for the United States to guarantee a loan, the undersigned shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into any transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Part E - Servicing Requirements

1. **Responsibilities** - The lender will service the entire loan as mortgagee and secured party of record in a reasonable and prudent manner, notwithstanding the fact that another party (holder) may hold a portion of the loan.

2. **Supervision** - The lender's responsibilities regarding borrower supervision include, but are not limited to, the following:

a Ensure loan funds are not used for any unauthorized purpose.

b. Ensure borrower compliance with the covenants and provisions provided in the note, loan agreement, security instruments, any other agreements, and 7 C.F.R. part 762.

c. Perform an annual analysis of the borrower's financial condition to determine the borrower's progress when required by Agency regulations.

Part E - Servicing Requirements *(continued)*

d. Account for all collateral.

e. Discuss any observations about the farm business with the borrower.

f. Ensure the borrower and any party liable for the loan is not released from liability for all or any part of the loan, except in accordance with Agency regulations.

3. **Reporting Requirements** - The lender recognizes that the Agency, as guarantor, has a vital interest in ensuring that all acts performed by the lender regarding the subject loans are performed in compliance with this agreement and Agency regulations. Information on the status of guaranteed loans is necessary for this purpose, as well as to satisfy budget and accounting reporting required by the Department of Treasury and the Office of Management and Budget. The lender agrees to provide Agency with all the data required under Agency regulations and any additional information necessary to monitor the status of its guaranteed loan portfolio, and to satisfy external reporting requirements.

   The lender also agrees to provide to the Agency upon request, copies of audited financial statements, reports on internal controls, copies of compliance audits, and such other information that may be required of the Agency to monitor the lender's performance.

4. **Negligent Servicing** - The guarantee cannot be enforced by the lender to the extent a loss results from a violation of usury laws or negligent servicing regardless of when the Agency discovers such violation or negligence. Negligent servicing is defined as the failure to perform services which a reasonably prudent lender would perform in servicing its own portfolio of loans that are not guaranteed. The term includes both a failure to act and not acting in a timely manner to include actions taken up to the time of loan maturity or until final loss is paid.

5. **Payments** - Payments from the borrower shall be reviewed by the lender and processed upon receipt according to Agency regulations, and may include escrow premiums for hazard insurance and real estate taxes. The lender shall promptly disburse to any holder the holder's pro rata share according to their respective interests in the loan, less only the lender's servicing fee.

6. **Collateral**

   a. Insurance. The lender shall ensure that adequate insurance is maintained in accordance with Agency regulations, including the maintenance of property, casualty, flood, and hazard insurance containing a loss payable clause in favor of the lender as the mortgagee or secured party.

   b. Escrow Accounts. The lender may establish separate escrow accounts. All escrow accounts must meet applicable Federal and State laws and regulations, and must be fully insured by the FDIC or cross collateralized with unencumbered Government Securities.

   c. Inspection. The lender shall inspect the collateral as often as necessary to properly service the loan and ensure the collateral is being properly maintained.

   d. Taxes. The lender shall ensure that taxes, assessments, or ground rents against or affecting collateral are paid.

7. **Delinquent Accounts**

   a. A guaranteed loan is in default after 30 days have passed and the borrower has not made a payment as due or has otherwise violated a loan agreement. The lender is responsible for resolution of the default. The lender will notify the Agency using an FSA default status report when a borrower is 45 days past due or otherwise in default. This report will be submitted every 60 days thereafter and will contain a summary of collection, restructuring or liquidation steps taken since the previous report.

   b. The lender may take actions to correct the default as provided in 7 C.F.R. part 762. A loan that has been sold on the secondary market can only be restructured if the loan is repurchased or upon written concurrence from the holder.

   c. The lender will work in good faith with the borrower to allow them to cure the default, where reasonable. The lender must participate in mandatory farmer-creditor mediation in accordance with 7 C.F.R. part 762, State law and the rules that govern the mediation program that operates in the State in which the borrower resides.

   d. The lender must consider the borrower for interest assistance as provided in 7 C.F.R. part 762. If the lender determines that default can be cured by rescheduling the loan with interest assistance, lender will request a determination of the borrower's eligibility by the Agency. Liquidation or foreclosure cannot be initiated until 60 days after consideration.

8. **Sales or Participation**

   a. The guaranteed portion of loans may be sold in accordance with 7 C.F.R. part 762. Lines of credit cannot be sold, but may be participated with other lenders.

   b. When a loan has been sold, the holder can demand that the lender repurchase the unpaid guaranteed portion of a loan in accordance with the FSA assignment of guarantee.

Part E - Servicing Requirements *(continued)*

c. If the lender is unable to repurchase, the holder may make a demand for repurchase to the Agency. Repurchase by the Agency in no way alters lender responsibilities to the loan under this agreement or the loan guarantee. A restructuring action may not be executed once the Agency has repurchased the guaranteed portion of the loan and within 180 days the lender must reimburse the Agency for the repurchase or liquidate the loan in accordance with Agency regulations. Lender must send the pro rata share of the borrower's payments directly to the Agency until liquidation is complete.

d. Failure to reimburse the Agency within 180 days for repurchase, if not waived by the Agency, is a violation of this agreement.

9. **Default/Liquidation**

a. Protective Advances. Protective advances must constitute a debt of the borrower to the lender and be secured by the security instrument. Agency written authorization is required for protective advances in accordance with the terms and amounts specified by 7 C.F.R. part 762 regulations.

b. Additional Loan or Advances. In cases of a Line of Credit, the lender may make an emergency advance when a line of credit has reached its ceiling and additional funds are needed to prevent an imminent loss of crops or livestock that would take place if the emergency advance were not made. The lender must provide Agency with an analysis as required by Agency regulations.

c. Future Recovery. After a loan has been liquidated and a final loss has been paid by the Agency, any future funds which may be recovered from the borrower will be pro-rated between the Agency and the lender.

d. Bankruptcy. The lender is responsible for protecting the guaranteed loan debt and all collateral securing the loan in bankruptcy proceedings. Loss payments on bankruptcy cases will be processed according to the terms described in Agency regulations.

e. Liquidation. Liquidations must receive prior Agency concurrence when required by regulations.

f. Loss Claims. The lender will submit an estimated loss claim to the Agency in the event liquidation will exceed 90 days. Estimated and final claims will be processed in accordance with the terms described in Agency regulations.

10. **Servicer** - If the lender contracts for servicing of guaranteed loans, the lender is not relieved of responsibility for proper servicing of the loans.

Part F - Agency Reviews of Lender's Operations

The Agency may conduct reviews, including on-site reviews, of the lender's operations and the operations of any agent of the lender, for the purpose of verifying compliance with this agreement and Agency regulations and guidelines. These reviews may include, but are not limited to, audits of case files; interviews with owners, managers, and staff; audits of collateral; and inspections of the lender's and its agents underwriting, servicing, and liquidation guidelines. The lender and its agents shall provide access to all pertinent information to allow the Agency, or any party authorized by the Agency, to conduct such reviews.

Part G - Conformance to Standards

1. The lender shall conform to the standards outlined in this agreement and Agency regulations for participation in the Agency's guaranteed loan program. CLP and PLP must maintain compliance with the criteria set forth in 7 C.F.R. part 762. The Agency shall determine lender adherence to the standards based on:

a. Adequacy in meeting requirements for origination, servicing, and liquidation of loans and lines of credit, including protection of collateral;

b. Satisfaction of the reporting requirements of the Agency;

c. Success in operating in a sound, prudent and businesslike manner;

d. Portfolio performance compared to overall performance of the Agency's guaranteed loan program; and

e. Results of on-site reviews of the underwriting and servicing performed by the lender.

2. **Determination of Non-Conformance** - The Agency shall carefully consider the circumstances and available facts in determining whether there is a pattern of lender non-conformance with applicable standards. The Agency shall determine the propriety of any decision made by the lender based on facts available at the time the specific action was taken. It is understood by the Agency and intended by this agreement that the lender has the authority to exercise reasonable judgement in performing acts within its authority. However, the Agency reserves the right to question any act performed or conclusion drawn that is inconsistent with this agreement or Agency regulations or prudent lending practices.

3. **Agency Action** - If the lender is determined to be in non-conformance with any Federal law, State law, Agency regulation, or guideline, or the terms of this agreement, the Agency may take action in accordance with its laws and regulations.

4. **Lender Right of Appeal** - The Agency will provide the lender an opportunity to appeal adverse Agency actions in accordance with Agency regulations.

Part H - List of Agency Regulations and Guidelines and Designation of Lender Authority to Perform Certain Acts

1. **List of Agency Regulations** - The guaranteed loan program is administered under 7 C.F.R. part 762. The lender is required to comply with these regulations as well as any future amendments not inconsistent with this Agreement.

2. **Authority to Perform Certain Acts** - Agency regulations describe the authorities and responsibilities for lenders. In addition, PLP will process and service loans as described in their application for PLP status approved by the Agency. This application is described in the preferred lender program attachment to this agreement. The lender further agrees to inform the Agency and obtain approval on changes to any policy or process described in the application for PLP status.

Part I - Duration and Modification

1. **Duration and Termination**

   a. **Duration and Agreement** - For CLP and PLP, the Agreement is valid for five years unless terminated by the lender or the Agency as described below or revoked according to Agency regulations. For SELs, this agreement will be valid indefinitely unless terminated by the lender or Agency as described below.

   b. **Modification of Agreement** - This agreement may be modified or extended only in writing and by consent of all parties.

   c. **Termination by Agency** - This agreement may be terminated by the Agency in accordance with Agency regulations.

   d. **Termination by the Lender** - This agreement may be terminated by the lender by providing 30 days written notice to the Agency.

   e. **Effect of Termination on Responsibilities and Liabilities** - Responsibilities or liabilities that existed before the termination of the agreement with regard to outstanding guarantees will continue to exist after termination unless the Agency expressly releases the lender from such responsibilities or liabilities in writing. The lender shall remain obligated to service and liquidate the guaranteed loans remaining in the portfolio unless and until the Agency or the lender transfers the loans. These requirements concerning loan management by the lender and rights of the Agency under this agreement shall remain in effect whether the agreement is terminated by the lender or Agency.

   f. **Revocation of CLP or PLP status** - If the Agency revokes CLP or PLP status, loans made while the lender held this status must continue to be serviced under this agreement and according to Agency regulations applying to SELs or CLP, whichever status the lender then holds.

2. **Entire Agreement** - This agreement, Parts A through K inclusive along with any attachments, and any regulations or guidelines incorporated by reference shall constitute the entire agreement. There are no other agreements, written or oral, regarding the terms in this agreement which are or shall be binding on the parties.

Part J - Certification

I certify that I have read and understand the requirements in the agreement, and in 7 C.F.R. part 762, and agree to the participation requirements and other provisions of this agreement.

1. Name and Title of Lender Representative	2. Authorized Lender Representative Signature	Date
Eddie Stout Vice President	Eddie Stout	4/14/03

Part K - FSA Use Only

1. Name and Title of FSA Representative	2. FSA Representative Signature	Date
Carolyn B. Cooksie Deputy Administrator for Farm Loan Programs	Acting Deputy Administrator	4/21/03
3. Effective Date of Agreement April 21, 2003	4. Agreement Expiration Date *(CLP and PLP only)* April 21, 2008	

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a): the Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act (7 USC 1921 et seq.) and the regulations promulgated thereunder, to solicit the information requested on this agreement. The information requested is necessary for FSA to determine eligibility for guarantee or other financial assistance, service your guarantee, and conduct statistical analyses. Supplied information may be furnished to other Department of Agriculture agencies, the Department of the Treasury, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of an application or its rejection.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0155. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE.***

PREFERRED LENDER PROGRAM
CREDIT MANAGEMENT SYSTEM SUMMARY
ATTACHMENT TO FORM FSA-1980-38, "LENDER'S AGREEMENT"

Regions Bank, West Region
Birmingham, Alabama (Ft. Smith, Arkansas)

This attachment contains the credit management system requirements agreed to by the Regions Bank, West Region (Lender) in Birmingham, Alabama. The following information summarizes the credit management system requirements provided in the Lender's January 28, 2003, request for preferred lender status, with attachments and exhibits. Requirements for loan administration, servicing and reporting activities not specifically addressed in this attachment are governed by the attached Form FSA-1980-38, "Lender's Agreement," and 7 CFR 762.

I. GENERAL OPERATIONS

A. Normal Trade Area.

The normal trade area for Regions Bank, West Region, is Arkansas, Louisiana, Texas, Eastern Oklahoma and Southern Missouri. PLP status under this credit management system covers all of Arkansas and Eastern Oklahoma only.

Loans would be considered outside the normal loan area if loan servicing were limited. For example, integrated broiler or pork contractors where the production check is sent to the Lender could be considered. Livestock and chattel loans that are not cross-pledged with real estate are not desirable outside the trade area due to extensive servicing demands.

The primary commodities in the Lender's area are rice, wheat, beef cattle, irrigated corn, cotton, soybeans, sugar cane and poultry.

B. Officers' Lending Authority.

The Senior Vice President of Agriculture Lending has the authority to approve loans meeting all credit standards up to $150,000. The Vice President of Agriculture Lending has the authority to approve loans meeting all credit standards up to $100,000. Loans requiring an exception to credit policy and loans in excess of $150,000 are presented and approved by a four (4) member loan officer committee. All loans in excess of $250,000 must be approved by the Executive Loan Committee.

C. Policy Exceptions.

Loans are expected to meet all of the Lender's established standard credit factors. Loans not meeting these standards may be considered on a case-by-case basis. If a credit standard is not met, the application must exhibit offsetting strong credit factors to be considered and may require an FSA guarantee. Deviations from standards will be fully justified and approved by the loan officer committee. If a guarantee is requested, the exception and offsetting strengths will be clearly identified and the decisions justified in the narrative submitted to FSA.

Regions Bank, West Region
Birmingham, Alabama (Ft. Smith, Arkansas)

D. Interest Rates, Loan Terms and Fees.

The Lender will not charge its guaranteed loan customers rates which exceed those charged to the Lender's average farm loan customer. As a rule, interest rates are established at an annual rate of interest of the Regions Base Rate (plus or minus) based on credit strength.

Repayment terms are based on the type of agriculture entity involved and cash flow stream. Payments are structured to be collected either annually, semi annually, or monthly. Loan terms will be dependent upon collateral type, loan purpose and the expected economic life of the collateral securing the loan. Lines of credit will be extended for up to 2 years and scheduled to be repaid as the income from the farm production is received. New equipment and breeding livestock loans will be scheduled to be repaid in no more than 7 years. Used equipment will be repaid in no more than 5 years. Loans secured by real estate may be amortized for up to 20 years.

Fees charged to guarantee customers will not exceed those charged to the Lender's non-guaranteed customers for similar transactions. Fees will be charged by the Lender for origination or packaging of agricultural loans not to exceed what is normal for the trade area. Fees will be charged for appraisals and credit reports, and any fee paid to a government guarantee agency will be passed on to the borrower.

E. Internal Credit Review System.

Regions Bank has an ongoing internal review program, conducted by a quality control group. This group serves as an independent, objective, active means for monitoring adherence to Lender policies and procedures as well as assessing the accuracy of the credit and performance classifications and identifying credit administration weaknesses. The quality control group will review a significant number of loan and servicing actions, based upon a sampling of those areas that present the greatest risk to the Lender. A minimum of 50% of outstanding guaranteed loans will be reviewed annually.

The quality control group will provide senior management a quarterly report of key review results, including credit quality and credit administration deficiencies and adherence to policies and procedures. The group will also review the results of the individual loan reviews with the loan officers, who will be responsible for resolving any deficiencies in their portfolio. The loan officers will report monthly to the loan officer's committee on the status of corrective actions on identified deficiencies.

Regions Bank is a subsidiary of Regions Financial Corporation. The holding company employs several independent internal auditors who regularly review subsidiary loans for compliance and proper credit administration.

PREFERRED LENDER PROGRAM
CREDIT MANAGEMENT SYSTEM SUMMARY
ATTACHMENT TO FORM FSA-1980-38, "LENDER'S AGREEMENT"

Regions Bank, West Region
Birmingham, Alabama (Ft. Smith, Arkansas)

F. Use of Agents, Consultants and Packagers.

Regions Bank has used agents or packagers in the past, and will continue as the need arises. Loan requests are originated and packaged by the Lender. Unsolicited loan proposals presented by private consultants may be considered; however, the application will be prepared, analyzed and presented by a bank loan officer.

G. Organizational Structure.

Regions Bank is a wholly owned subsidiary of Regions Financial Corporation, a one (1) bank holding company. Regions Bank is subject to credit examination and supervision by the Federal Reserve and Alabama State Bank Department. Regions Financial Corporation is subject to examination by the Federal Reserve. All deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

H. Loan Officers' Qualifications. Resumes were submitted and reviewed during approval of PLP status.

I. Monitoring Compliance with FSA Requirements. In accordance with the 1980-38 and FSA Instruction 2-FLP

J. Investigation of Environmental Issues.

The Lender will work with the applicable State FSA Offices to assure environmental policies and procedures are in compliance with FSA requirements. Certain types of operations are more likely to have environmental problems.

Real estate appraisers approved by the Lender are required to disclose any environmental issues in their appraisals.

In all cases where real estate will be taken as primary security, the loan officer completes a pre-loan site visit and a questionnaire. During this site visit, loan officers look for indications of environmental concerns, such as soil conditions in the area that might suggest contamination or the presence of underground storage tanks. In all cases, the borrower is required to complete a questionnaire which contains information regarding the previous ownership and present and previous uses of the borrower's real estate and facilities.

Where either questionnaire indicates further investigation is necessary, the loan officer typically consults with the Senior Loan Officer to determine whether a further investigation should be limited to the issues identified or whether a Transaction Screen Questionnaire must be completed.

If environmental issues do arise, FSA and the NRCS are notified. A site visit is arranged between all parties concerned and the problem is evaluated to determine whether to continue with the loan, subject to conditions, hire an environmental professional to conduct a Site Assessment, or deny the loan. The Senior Loan Officer maintains a list of approved environmental professionals.

K. Requesting a Guarantee.

Before submitting an application, the Lender will make a site inspection to assess the suitability of the farm and complete environmental due diligence, as appropriate.

When requesting a guarantee, the Lender will submit the following information to FSA:

1. A complete "Preferred Lender Application for Guarantee" (FSA-1980-28);
2. A complete loan narrative, discussing the "5 Cs of Credit" and including a description of the location of all farmed land;
3. If Interest Assistance is required, a completed Part G of "Application for Guarantee" (FSA-1980-25), projected cash flow, and current balance sheet; and
4. When the applicant is an entity, the names, social security numbers, and percent ownership for each entity member (entity information will be addressed in the loan narrative).

II. LOAN ANALYSIS/ UNDERWRITING

The Lender uses Big Cabin Software computer loan analysis system. This system is required for all borrowers with more than $100,000 credit with the Lender and for any credit not meeting all credit standards. An FSA guarantee will normally be requested for those cases that do not meet all of the Lender's credit standards.

The analysis for an application where a guarantee is requested will be substantially similar to the analysis performed for a similar unguaranteed loan application. If a loan exhibits weaknesses in a credit factor, the loan narrative shall clearly discuss how the weakness will be offset by other strengths and compensating factors. The loan narrative analysis will address all credit factors and conformance to standards, and will also include a description of the location of all farmed land. The depth of the narrative will be such that a reasonable person, knowledgeable and experienced in the extension of credit, would understand the loan and conclude that the credit risk had been sufficiently analyzed.

Enclosed is a sample of a Credit Presentation, Pro Forma Cash Flow Budget, Balance Sheet Trend with schedules and an Income Trend. The Credit Presentation includes a narrative addressing the credit factors. If the request is for more than $200,000, does not meet all of the credit standards, or includes an FSA guarantee, the more comprehensive Large Loan narrative format will be completed.

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A. Management Ability/Credit History Analysis.

The applicant's management ability, character and credit history are significant parts of the credit decision. A thorough evaluation is especially critical when the Lender is considering extending credit to a new customer. A field visit will be conducted by the loan officer to evaluate the applicant's ability to manage the operation and to determine the suitability of the land and facilities to the loan request.

Required credit references. A credit report from TRW or another credit reporting bureau is included and maintained in the credit file for all new borrower applications and all loans that have any significant weakness. A credit report is required for any loan considered for an FSA guarantee. Debts in excess of $5000 not reflected on the credit report will be verified by phone or mail. A five (5) year UCC lien search in the applicant's county of residence is used to further verify debt and to confirm that all debts are accounted for. Businesses that a new customer works with, such as veterinarians and feed and fertilizer dealers, will be contacted for references regarding how the applicant farms and handles his financial business with them.

If credit history reflects a bankruptcy, charge off or repossession, the applicant is declined. If there is a slow pay and the applicant has unforeseen circumstances, a letter of explanation will be requested, if not provided.

Young or beginning farmers. The extension of credit to young and beginning farmers is an appropriate use of loan funds. Loans to young and beginning farmers must meet the same underwriting standards as other applicants, and will be considered for an FSA guarantee.

Previous participation in government lending programs. If applicant discloses previous participation in government lending programs, the Lender will call or write the agency involved and verify repayment performance. If FSA credit is involved, the Lender will verify the applicant's continued eligibility. The agency reference must indicate acceptable credit and borrower compliance with loan terms, or the loan request will be denied.

B. Capacity Analysis.

Determining repayment capacity. Capital Debt Repayment Capacity (CDRC) is the measurement of a borrower's ability to repay capital debt, based on an analysis of the operation's profitability. The applicant's ability to service the proposed debt plus existing debt and contingent liabilities is evaluated for all loans with use of a Pro forma cash flow budget. In addition, a modified cash flow analysis including accounting for crop carryover, prepaid expenses, and carryover debt will be conducted.

For loans exceeding $50,000, at least two (2) years of history of farm income, expenses and farm production are analyzed with adjustments pertaining to any changes in the operation. For new customers and loans exceeding $500,000, three (3) years of history will be analyzed. For loans of $50,000 or less, at least 2 years of financial information is recommended; however, an analysis of only one year's information is required.

Non-farm income, if it is essential to the cash flow, is confirmed with employment verification or other sources as needed. Tax returns are utilized to obtain an average if income is other than employer. Other income, such as mineral production, is verified through proof of contract.

Adequate capacity is necessary to protect the interests of the Lender. A minimum CDRC of 120% is acceptable. While it is preferable that an average historical cash flow meet coverage ratio requirements, a pro forma cash flow is acceptable where deemed appropriate and adequately justified by the loan officer. At a minimum, a CDRC of 100% with an FSA guarantee could be acceptable, with mitigating strengths in collateral and other credit factors.

If an applicant temporarily does not have the financial resources to project a 100% cash flow, the Lender will consider using FSA's Interest Assistance program for operating loans. To request Interest Assistance, the Lender will submit to FSA a completed part G of Form FSA-1980-25, a projected cash flow and a current balance sheet, along with the PLP Application for Guarantee and loan narrative (as described in Section K). The Lender will clearly explain in the narrative why the producer cannot meet the capacity requirements without a reduced interest rate, but **can** cash flow at the reduced rate, and will discuss the offsetting credit strengths in the loan narrative. The Lender will not request Interest Assistance to expand the applicant's farm operation.

C. Capital Analysis.

Capital refers to the financial strength of the business as measured by solvency and liquidity. Asset quality, debt structure, and financial trends of the business will be based on accurate and verifiable historical and current balance sheets, together with income and expense statements of comparable dates.

The Lender's credit standard requires a minimum of 50% owner equity and a current ratio of 1.2. Loan requests with less than 50% equity are assessed based on cash flow and leverage position. Applicants must have or project sufficient working capital. Loan requests with less than 50% owner equity will be considered for an FSA guarantee. Even with strong cash flow and an FSA guarantee, a minimum of 20% owner equity is required to purchase real estate.

Supporting schedules. The financial statement on the loan request must be no more than thirty (30) days old for a new customer. For existing customers, a balance sheet up to ninety (90) days old may be acceptable. The financials must be supported by tax returns, sales receipts or any other available data.

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Entity consolidation process. When the applicant is an entity, the balance sheet of each liable party and the entity itself will be obtained. In addition, consolidation of financial information is required when a corporation or formal partnership entity applies for a loan. When income is derived from several sources, consolidation of the entities is required. All assets, debts and income are combined.

D. Collateral Analysis.

Collateral addresses quality of the asset, value, title and lien position, and relationship between the loan collateral value, stability, and marketability. Adequate collateral provides protection from loss if the loan defaults.

The Lender's collateral credit standards are:

Crops	75% Loan to Value (L/V)
Feeder Livestock	60% L/V
Equipment	70% L/V
Breeding Livestock	75% L/V
Real estate	70% L/V

Hard security will be taken for annual operating loans whenever it is available.

Loan applications that do not meet these minimum standards will be carefully analyzed, and should be considered for an FSA guarantee. The credit decision will be based on the strength of the cash flow and other credit factors. Even with an FSA guarantee, adequate collateral will be taken to protect the interests of the Lender and the Government. The loan officer will clearly disclose the exception to the standard and discuss mitigating strengths in other credit factors. This information will be included in the narrative submitted to FSA.

Insurance. Insurance will be required when needed to protect the interests of the Lender. Crop insurance will be required whenever crops are security and the Loan/Value, computed excluding crops, is greater than 50%. Real property insurance will be required, with the Lender as beneficiary, when equity in the real property security is less than the value of the improvements to the property.

Appraisal guidelines. Appraisals will be obtained on all primary security and will be performed by a Certified General Appraiser. Appraisals performed by the Lender will not be completed by the loan officer in charge of the credit. An appraisal review process is performed by the Lender to check for deficiencies.

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Crops will be valued at the lessor of cash input costs or market.

Equipment is itemized on a property list, and the appraised value is based on auction sales. The appraiser attends numerous auctions to establish values. The Hot Line Equipment Guide is used for reference when applicable.

Cattle are valued from current auction values and the use of the Data Transmission Network (DTN) Satellite System. Regions Bank has access to the DTN in the Agriculture Loan Department and uses it and futures markets to establish the value of agricultural products.

All real estate appraisals, regardless of size, will be in compliance with USPAP. Appraisals for all real estate loans of $250,000 or more are performed by State Certified General Appraisers. Real estate appraisals for loan transactions less than $250,000 will be performed by a qualified appraiser, who possesses sufficient experience or training to estimate the value of agricultural property. Appraisals must be current or no more than twelve (12) months old unless the market is stable and the appraisal is updated. Well-secured real estate loans less than $50,000 do not require an appraisal.

Chattel appraisals will be performed by appraisers who possess sufficient experience or training to establish market (not retail) values.

Verifying ownership of assets. The ownership of assets being pledged as collateral is verified by several means. Real estate ownership is verified with Title Insurance. Ownership of chattel property is accomplished by visual inspection, bill of sale or a search of Uniform Commercial Code (UCC) filings. If doubt exists, the depreciation schedule of the applicant's income tax return will be reviewed. Documentation of the above verifications is entered into the file for record.

Verifications of prior liens. Prior liens are verified with the use of a five (5) year UCC lien search in the county of residence, in addition to other counties where the applicant is doing business. If a lien is noted, the Lender contacts the secured creditor to assess the lien. Occasionally, secured creditors are called to clarify discrepancies.

Requirements for perfecting liens. A mortgage is filed of record to perfect real estate liens. UCC-1 forms are filed to perfect liens on chattels. Prior to the above, a preliminary title opinion or title insurance binder is requested to insure filing proper position of real estate. After filings are completed, a final title opinion or title insurance is requested to verify first mortgage position on real estate. Preliminary and final UCC lien searches are implemented to verify a lien position on chattels.

When liens are taken on fixtures, they are filed with the same standards. UCC liens are always tied to the note and security agreement. Model and serial numbers are required for equipment.

E. Conditions.

Loan conditions address loan purpose, loan amount, loan structure, pricing, scope of financing or requirements unique to a loan. These conditions need to balance credit risk with effective loan conditions and controls. Conditions are added as loan risk increases. The conditions of approval are based on the analysis of the credit factors to identify applicant creditworthiness and risk. Examples include additional monitoring, collateral, insurance, etc. to reduce the risk exposure of any particular loan. A loan agreement will be completed, if necessary, on a case-by-case basis.

Disbursement of loan proceeds. Each loan with multiple draws requires a line of credit agreement perfected as part of the loan. The agreement specifies terms for draws from the line, and no funds are dispersed without compliance. Each file has an advance ledger in place to document date, amount and use of proceeds. Enclosed for reference you will find a copy of a Line of Credit Agreement and Advance Ledger.

III. LOAN SERVICING / ADMINISTRATION SYSTEM

A. General Servicing.

Borrower monitoring and supervision. Borrowers will be monitored for financial performance to determine the level of risk to the Lender. The condition of agricultural loans will be reviewed on an annual basis.

Annual borrower review documentation will include the following:

- Updated appraisals of livestock and equipment. (Semi-annual inspections for stocker or feeder livestock operations financed by revolving line.)
- A current balance sheet for borrower, entity members and any personal guarantors.
- An analysis of current assets, crop condition, livestock conditions, prices and the likelihood of payment of operating credit and term debt obligations due in the current cycle.
- An income and expense statement, such as IRS Form 1040, Schedule C or F, Farm Equity Manager report, customer's computerized records or similar form.
- A comparison of projected to actual financial results and trends. See copy of typical trend analysis attached as Exhibit 5.
- Cash flow projection.
- Review of capital purchase and consumer credit needs projected for next year.
- Assessment of farm and farmstead condition.
- Annual county records search.
- All credits will be assigned a credit score based on risk analysis. See rating system summary attached as Exhibit 6.
- For borrowers with aggregate debt of over $300,000, the loan officer will report annually on the account score to the local bank management and the Senior Credit Officers.

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EXCEPTIONS: (1) Borrowers with term loans secured by real estate which have performed as agreed for more than five consecutive years are required to submit only a balance sheet each year. An inspection will be performed when the balance sheet indicates financial deterioration. (2) Borrowers who do not borrow money for operating needs and maintain sufficient cash deposit accounts with the Lender to pay 12 months of installments on their term debts are only required to submit a financial statement every three years. (3) Line of credit only borrowers are not scored.

Monitoring security. Acquisition and lien priority of planned capital purchase or ownership of basic security will be verified. Methods for verification include physical inspection visit by loan officer, bill of sale, vehicle title, deed, lien search or another method as appropriate. Cattle will be marked for identification.

Proceeds from the sale of security will be applied to the debt according to lien priority. Where multiple loans are secured by a blanket lien on chattel security, crop and livestock income will be applied to the annual operating debt incurred to produce that item before being used to pay term debt installments.

The source of proceeds, including bushels, weights, and size will be verified with receipts in those cases where the borrower's records are not accurate. Income from sales in one cycle that is not received until the following cycle (e.g., overlap income, retains, dividends) will be applied to any outstanding debt associated with the production of that commodity.

Term debt collateral sales proceeds will not be used to make scheduled term debt installments.

Advances on lines of credit. Advance requests may be made by telephone, electronic mail or other method. The request and its use will be acknowledged in writing on an Advance Record by the borrower during his/her next physical office visit, or by copy of a check written on the account where disbursements are deposited. Each year, the ability to meet all financial obligations will be documented with an annual cash flow projection before the operation is financed for another year.

Advances and payments will be made by a loan administration technician. Loan ledgers are updated daily for advances and payments. Ledgers do not track the use of funds or source of proceeds; therefore, advances will be entered into an automated spreadsheet and itemized based on projected expense categories weekly. This spreadsheet is checked monthly by loan officers for deviations from projected expense category and total needs. Livestock operation lines of credit are also tracked using livestock inventory control records and inspection reports.

Emergency advances. A moderate advance in excess of the loan amount may be made when an aberration causes expenses to exceed the original budgeted amount, and the advance is necessary to avoid significant damage to or loss of the loan security. The reason for the advance and the financial benefit to be derived from it will be documented in the loan file.

Construction loans. Loans made for development will require that the Lender be provided with a copy of plans, specifications and construction contracts. Lender endorsement of the method of construction is required. Advances on construction loans will be made based on the level of completion after verification by loan officer visual inspection.

Partial releases. Security may be released without FSA concurrence (1) when the security item is being sold for market value and the proceeds will be applied to the loan in accordance with lien priorities; (2) when the security item will be used as a trade-in or source of down payment funds for a like-item that will be taken as security; or (3) when the security item has no present or prospective value.

Cull and replacement policy. Breeding livestock sales proceeds will be treated as normal income when herd size and value is maintained at a level at or above that which existed at loan inception as verified by periodic inspection.

All other releases without compensation will meet FSA regulatory requirements and require loan committee approval. Details of the transaction will be documented in the credit file.

Releases of borrowers. Obligated parties, including entity members, personal guarantors, cosigners, or joint operators, are not released from liability except when the debt has been paid or refinanced, or on a case-by-case basis, with executive loan committee concurrence and FSA written approval.

Additional loans. The Lender may make consumer, residential and commercial loans to guaranteed loan customers as part of ongoing relationships. If unguaranteed loans are made, security will not be intermingled and payments will be applied to any guaranteed loan first.

Lender reporting. Loan status reports will be provided to FSA semi-annually, and default status reports will be provided 45 days after default and every 60 days thereafter until the loan is paid current.

B. Delinquencies.

Distressed loans. If the annual analysis or any information provided by the borrower indicates that the borrower will have difficulty meeting their obligations, servicing options to improve the customer's situation will be explored before actual default occurs.

Reminder notices. For annual payment borrowers, reminder notices are mailed 30 days prior to the installment due date. Reminder notices are not mailed for monthly or quarterly payment borrowers.

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Default notices.

10 days after due date: Delinquency notices are mailed and responsible loan officers are notified by the loan administration staff.

30 days past due:

- Written borrower default notification and request for payment is mailed.
- Loan officer contacts the borrower by telephone and a meeting is scheduled within 15 days. The borrower is requested to provide a balance sheet and a summary of their liquidity position. A short-term extension in the meeting date may be granted to allow the borrower time to assemble the required information.
- A summary of attempts to schedule a meeting, reasons delays are granted, agreements reached and actions taken will be documented in the customer file.
- The loan officer presents a report on the prospective servicing plan to the executive loan committee.
- The loan officer notifies the secondary market holder, if applicable, of the Lender's intentions to repurchase or requests that the holder agree to a rescheduling.

45 days past due: Form FSA-1980-44 is submitted to FSA outlining results of meeting or attempts to schedule a meeting and planned collection activities.

60 days past due: If no meeting has been held, or if meeting results are inconclusive, a second default notification is mailed. In Colorado the borrower is offered the opportunity to participate in mediation. Mediation does not apply in the other States where Lender does business.
90 days past due: A plan for cure of the default will be in place unless an extension is granted. The reason for the extension (including pending mediation) will be documented in the customer file and initialed by the loan officer's first line supervisor.

120 days past due: Restructuring agreements will be consummated or extension justification will be documented.

Every 30 days:
- Loan officer reports to the executive loan committee.
- Borrower is contacted (by phone or in writing) if plan has not been completed.
- Notation is made in file as to status of default.

Every 60 days:
- Default status report updates are provided to FSA until default is cured.

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Restructuring delinquent loans. If a defaulted borrower is unable to pay the account as agreed, he/she may request and present a plan for restructuring based on probable financial performance. Debt restructuring will be approved in lieu of liquidation when financially prudent and feasible. Options that the Lender will consider include:

<u>90-day extension agreement</u>. Up to a three month deferral (deferment, abeyance) may be approved by the loan officer with no payments when delinquency is caused by market conditions or timing of the production cycle.
<u>Deferral</u>. A six-month deferral may be approved by the loan officer after interest due is paid current. A six-month deferral requires amendment of the note. A subsequent six-month deferral or longer deferral within same operating cycle requires loan committee approval. Cash flow will indicate that repayment problems are only short term and regular repayment can be satisfied.
<u>1-year workout</u>. Where no loss is expected due to documented excess security, borrowers may be allowed up to one year from the date of missed payment to secure refinancing or voluntarily liquidate. The agreement will be in writing, interest will accrue, operating credit will not be provided, and a foreclosure complaint will be drafted as a contingency.
<u>Uneven payments</u>. Customers with documented *short-term* cash flow deficiencies may have loans restructured with uneven payments of at least an amount that will exceed interest accrual. A precise date for resumption of amortized principal installments will be established at the time of the action.
<u>Rescheduling</u>: Operating lines of credit may be rescheduled for up to 7 years, not to exceed 10 years from note origination. Advances will cease on rescheduled lines of credit. Intermediate term notes will typically be rescheduled based on the remaining life of the security not to exceed 15 years from the action. Real estate secured notes may be rescheduled for 25 years or less.
<u>Capitalization of accrued interest</u>. Up to 12 months of delinquent interest may be capitalized as part of an action with written concurrence from the loan officer's supervisor. Capitalization of more than 12 months of past due accrual requires executive loan committee approval based on the resulting size of the debt. The loan officer will provide FSA a copy of the new note and other documents and request that FSA provide the Lender a modification of the guarantee to reflect the new guaranteed principal amount.
<u>Default charges</u>. In addition to note rate accrual, past due accounts are charged per annum default charges. Charges may be waived if the loan is restructured. See note attached as Exhibit 7.

Debt Writedown. Writedowns of guaranteed loans will require written approval of FSA.

C. Other Servicing Actions.

Non-monetary default. Upon occurrence of unauthorized use of loan funds, insurance lapse, security depletion, death, abandonment, conversion, etc., notice of default is mailed and the borrower is provided 30 days to take corrective action.

90 days past due. At 90 days past due, (earlier if non-monetary default, no prospect for repayment or the borrower is uncooperative) the borrower will be notified that loan is due in full and the Lender intends to remedy default by legal action. The account is placed on a non-accrual basis. A plan of action is prepared by the loan officer and presented to the executive loan committee. For guaranteed loans, an estimate of the amount to be lost on the loan is prepared and a claim form, supporting calculations and a current ledger is submitted to FSA.

120 days past due. The loan is referred to the Lender's legal counsel for collection action. The loan officer will attempt to take possession of chattel security if relinquished by the borrower.

Acceleration. Acceleration will be automatic at the Lender's option upon borrower violation of any loan terms and written notification to the borrower. See a copy of the promissory note and other loan documents attached as Exhibit 8.

Bankruptcy. The Lender will take actions to protect its interest when a borrower files bankruptcy, subject to the advice of legal counsel. A summary of the Lender's policy on bankruptcy is attached as Exhibit 9.

D. Terminations, Liquidations, and Final Loss Claims. Supporting documentation will be developed, meeting FSA regulatory requirements for any loss claim. This will include a plan of liquidation, including costs of liquidation and expected time frames. The liquidation plan will be kept in the borrower's case file.

Voluntary Liquidation. The borrower will be provided 30 days from acceleration to liquidate or agree in writing to a plan for voluntary liquidation of all loan collateral. Voluntary plans will include contingencies for failure to meet plan milestones. A release of the borrower from continued liability may be agreed to as part of a voluntary plan if written agreement is obtained from the FSA State office.

Protective advances. Reasonable protective advances up to $10,000.00 will be made without any prior approval to protect the value of the collateral. Advances in excess of $10,000.00 will need to supported by FSA.

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Acquisition of real estate security. The responsible loan officer or workout officer will review the collateral for possible environmental liability. If environmental problems are found, the executive loan committee will make a decision on the acceptance of a deed in lieu of foreclosure or assessment of protective bids to be made at foreclosure. For FSA guaranteed loans, FSA will be consulted regarding the method of sale or establishing foreclosure bids on any properties whose value has been substantially reduced by the presence of hazardous waste.

Judgments. Judgments will be sought in all forced liquidations.

Release from liability. Borrowers may be released from liability after all security is liquidated and all sources of collection of the unpaid debt are pursued in the case of a guaranteed loan. The loan officer will obtain FSA written concurrence when the borrower is to be released of liability on guaranteed loans. Releases will only be recommended by the Lender with the concurrence of the Board. All loans made after July 20, 2001 will be subject to Federal offset. In the event of liquidation, the lender will notify the borrower if they will be subjected to Federal offset.

USDA

Preferred Lender

Farm Service Agency

Regions Bank

Is a Preferred Lender for the
Farm Service Agency

April 21, 2003
Date

Acting Deputy Administrator for Farm Loan Programs

FSA-385-1
(11-04-99)